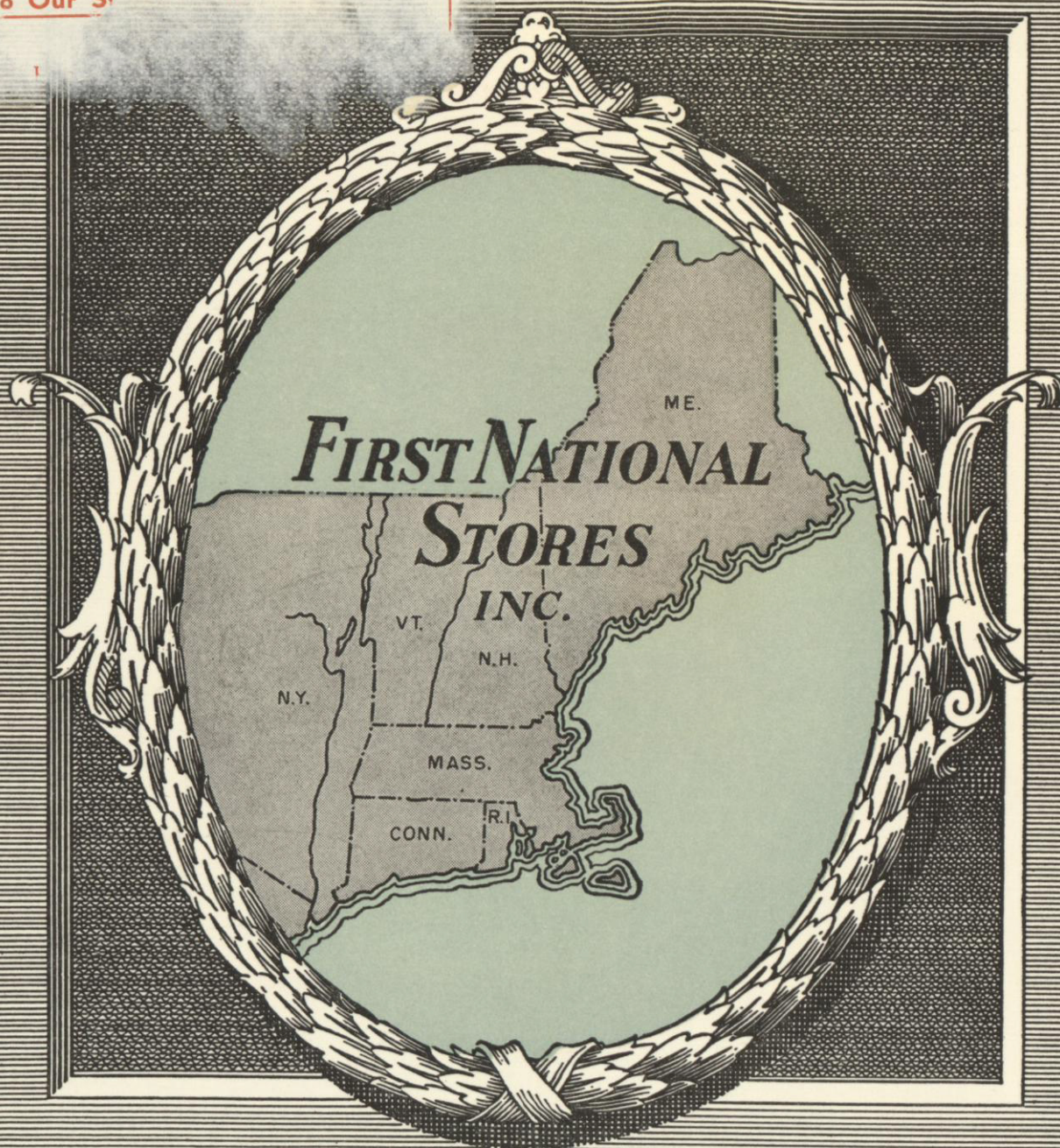


To Our S!



*Annual Report*  
**FIRST NATIONAL STORES INC.**  
*year ending*

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March 27<sup>th</sup> 1954

# FIRST NATIONAL STORES INC.

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## Officers

ADRIAN F. O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
BYRON M. FLEMMING . . . . .	<i>Vice-President</i>
JOHN L. MACNEIL . . . . .	<i>Vice-President</i>
EDMUND J. MURPHY . . . . .	<i>Vice-President</i>
JOHN E. ELWELL . . . . .	<i>Clerk</i>



## Executive Committee

RALPH F. BURKARD  
JOHN L. MACNEIL  
ADRIAN F. O'KEEFFE



## Directors

RALPH F. BURKARD  
BYRON M. FLEMMING  
SAMUEL JOSELOFF

DANIEL J. LYNE  
JOHN L. MACNEIL  
EDMUND J. MURPHY

JAMES J. O'HARE  
ADRIAN F. O'KEEFFE  
BERNARD M. O'KEEFFE

Somerville, Massachusetts, June 4, 1954

TO THE STOCKHOLDERS OF  
FIRST NATIONAL STORES INC.:

Sales of \$442,180,165 for the fiscal year ending March 27, 1954 again reached a new high and were \$17,658,493 or 4.16% higher than sales for the previous year. Food prices at retail averaged slightly lower than those of the prior fiscal year and tonnage sales showed a gain somewhat in excess of the sales gain of 4.16% for the latest year.

Net earnings of \$6,830,629 were equivalent to \$4.17 per share. This compares with per share earnings of \$4.11 on net earnings of \$6,742,051 in the prior fiscal year when a non-recurring federal tax savings in connection with our liability for vacation cost benefited earnings equivalent to 38¢ per share. The Lifo inventory adjustment reduced earnings by 5¢ per share as opposed to a 1¢ per share increase in the prior year.

Dividends totalling \$2.25 per share for the year were paid on the common stock outstanding — four quarterly dividends of 50¢ a share and a special dividend of 25¢ a share.

A condensed comparative summary of our operations follows:

	<i>For the Fiscal Year Ending</i>	
	<i>March 27, 1954</i>	<i>March 28, 1953</i>
Retail Stores Sales . . . . .	\$442,180,165	\$424,521,672
Net earnings after taxes, depreciation and other charges	\$ 6,830,629	\$ 6,742,051
Per share of common stock —		
After taxes and before Lifo and vacation liability tax adjustment . . . . .	\$4.22	\$3.72
Lifo inventory adjustment . . . . .	— .05	+ .01
Vacation liability tax adjustment . . . . .	. . .	+ .38
After taxes and all charges and credits . . . . .	<u>\$4.17</u>	<u>\$4.11</u>
Net working capital (current assets less current liabilities) . . . . .	\$ 13,648,948	\$ 12,390,464
Fixed or property assets (less depreciation) . . . . .	33,709,774	31,877,967
Stockholders' equity (net worth) . . . . .	51,690,443	48,543,374
Earnings employed in the business (appropriated and unappropriated) . . . . .	44,954,164	41,807,095

On the center pages are graphic charts showing the results of our operations for the past twenty-eight years. The per share earnings chart gives effect, for all years, to the 2 for 1 stock split in 1951.

Working capital at March 27, 1954 was \$13,648,948, an increase of \$1,258,484 over the \$12,390,464 at the previous year-end. There were no loans outstanding at March 27, 1954. Your company continues in a strong financial condition.

Our total direct tax bill for the year ending March 27, 1954 was \$12,830,236. This amounts to 65% of our earnings before taxes for the year and equals \$7.84 for each share of our common stock.

For the first full year since 1950 price controls were not in effect. Foods in general have been in adequate supply and competition together with the natural forces of supply and demand have again been allowed to function. As a result our operations, especially in meats, have improved over the prior year to a point which more nearly represents a normal markup and net profit.

During the past year we opened 29 new stores, of which 20 were self service super markets and 9 self service grocery stores—29 super markets were remodelled or enlarged. We closed 115 stores during the year. The replacing of inadequate smaller outlets with more modern and larger markets continues. At the year-end we were operating 761 stores—a net reduction of 86 from the 847 in operation at the end of the previous fiscal year.

Additional super markets will be opened during the current year. Some of these new markets will be in suburban shopping centers—others in individual locations. In either case, accessibility and large parking area are primary considerations in the location decision. Enlargements and remodelling of many of our existing stores, so necessary to the progress and growth of our business, are also planned.

Many changes have taken place in the shopping and eating habits of consumers. As a result, the cost of equipping a super market is larger than ever before. Prepackaged meats and increasing varieties of frozen foods require additional refrigerated facilities. Mechanization of service functions also adds to equipment investment. Consequently, capital expenditures for store equipment will continue to be substantial.

The performance and spirit of the men and women of First National Stores continue at a high level. This is especially important in a year that promises to be one of aggressive competition. We consider that your company is well equipped for the competitive selling that will be required to produce satisfactory results in the current year.

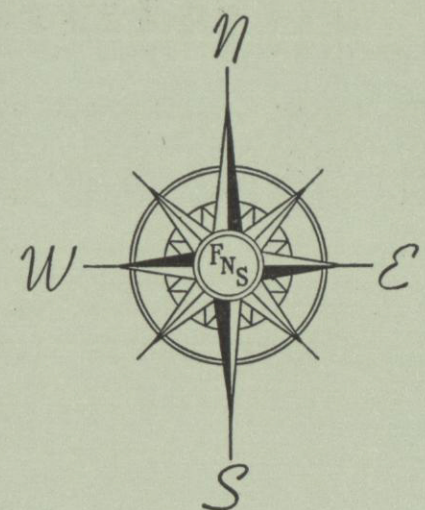
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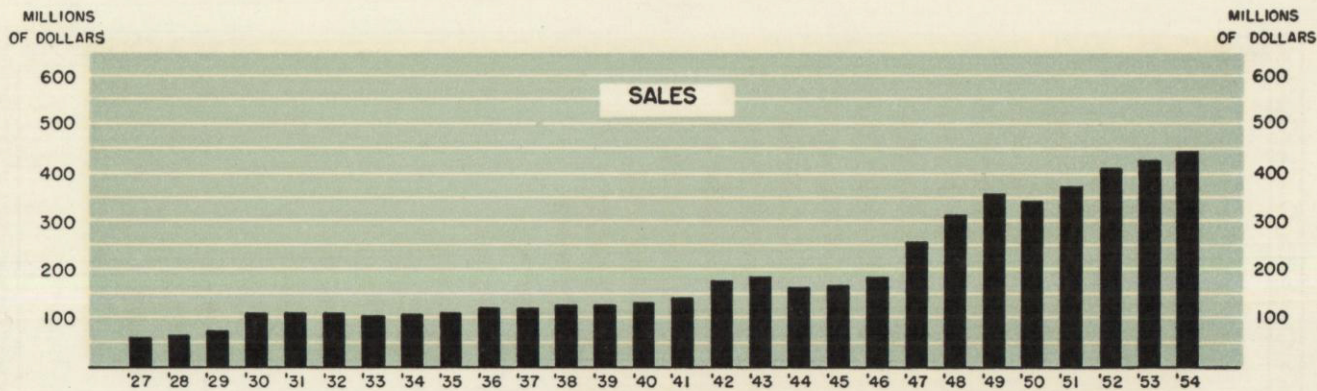
#### ANNUAL MEETING — PROXIES

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.

ADRIAN F. O'KEEFFE,  
*President*

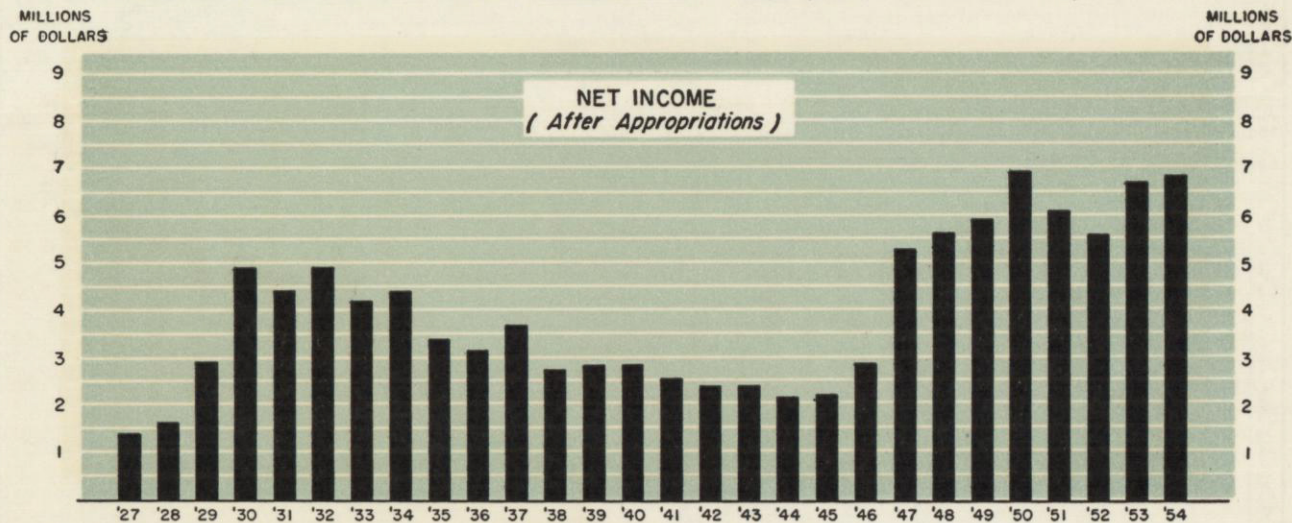
*Geographical Distribution of*  
**761**  
**FIRST NATIONAL STORES**





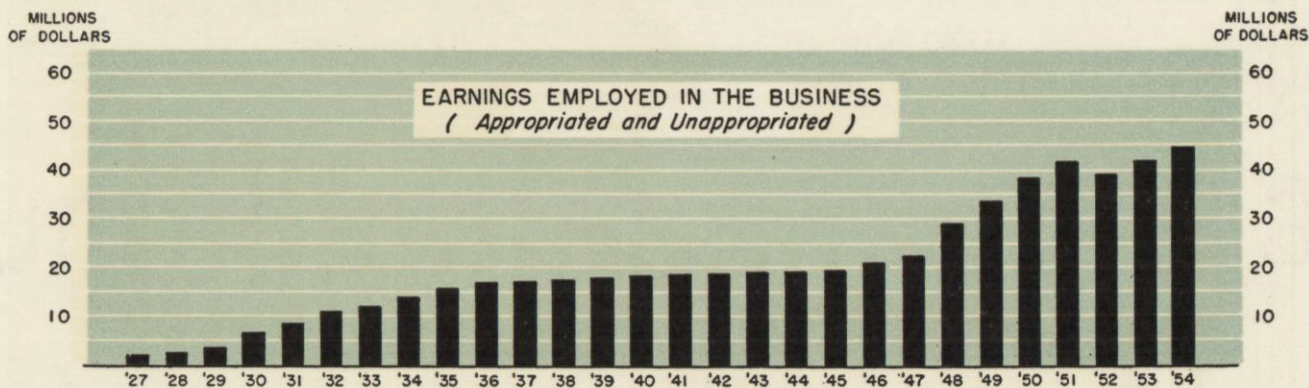
*Retail Stores Sales—Fiscal Years*

1927	\$59,038,304	1932	\$107,634,383	1937	\$120,682,961	1942	\$174,378,932	1947	\$256,506,910	1951	\$371,853,140
1928	64,445,962	1933	100,892,947	1938	124,294,617	1943	187,839,592	1948	315,915,554	1952	406,773,153
1929	75,884,639	1934	105,812,781	1939	124,222,955	1944	164,924,978	1949	354,444,614	1953	424,521,672
1930	107,635,216	1935	111,323,463	1940	131,041,157	1945	170,236,678	1950	344,171,022	1954	442,180,165
1931	108,196,686	1936	119,575,417	1941	142,680,921	1946	182,131,241				



*Net Income—Fiscal Years*

1927	\$1,492,193	1932	\$4,825,611	1937	\$3,647,001	1942	\$2,380,294	1947	\$5,357,235	1951	\$6,134,530
1928	1,593,358	1933	4,220,099	1938	2,705,191	1943	2,465,079	1948	5,629,705	1952	5,571,415
1929	2,904,884	1934	4,394,830	1939	2,774,366	1944	2,235,104	1949	5,905,880	1953	6,742,051
1930	4,773,446	1935	3,433,504	1940	2,739,074	1945	2,294,604	1950	6,997,980	1954	6,830,629
1931	4,479,108	1936	3,163,329	1941	2,508,719	1946	2,885,555				



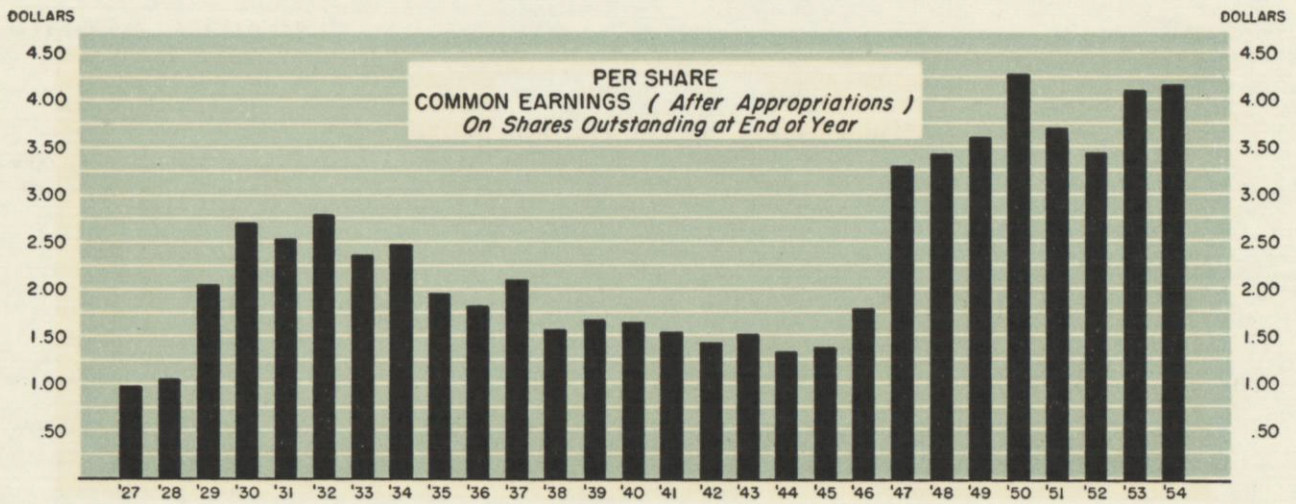
*Earnings Employed in The Business—Fiscal Years*

1927	\$1,996,375	1932	\$10,816,321	1937	\$16,670,118	1942	\$18,889,476	1947	\$23,235,669	1951	\$41,752,697
1928	2,238,303	1933	12,666,672	1938	16,688,036	1943	19,308,135	1948	29,189,624	1952	39,604,479
1929	3,987,782	1934	14,213,494	1939	17,423,131	1944	19,496,819	1949	34,350,171	1953	41,807,095
1930	6,369,726	1935	15,121,448	1940	18,112,565	1945	19,745,003	1950	38,483,159	1954	44,954,164
1931	8,371,910	1936	16,062,827	1941	18,572,964	1946	20,334,138				



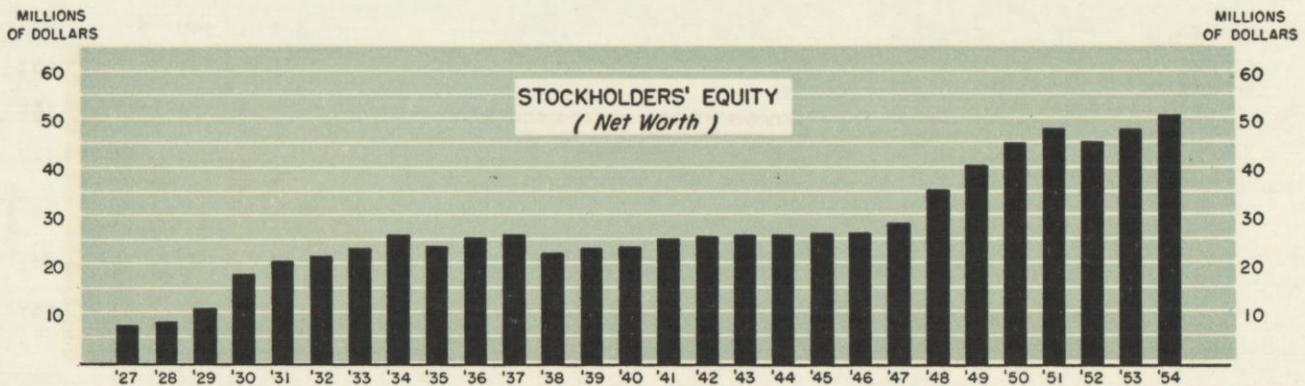
*Stores—Fiscal Years*

1927	1681	1932	2546	1937	2473	1942	1748	1947	1201	1951	979
1928	1717	1933	2705	1938	2350	1943	1585	1948	1150	1952	922
1929	2002	1934	2653	1939	2244	1944	1463	1949	1083	1953	847
1930	2549	1935	2623	1940	2137	1945	1340	1950	1033	1954	761
1931	2548	1936	2556	1941	1923	1946	1236				



*Per Share Common—Fiscal Years*

1927	\$0.96	1932	\$2.76	1937	\$2.12	1942	\$1.45	1947	\$3.27	1951	\$3.74
1928	1.04	1933	2.39	1938	1.57	1943	1.51	1948	3.43	1952	3.40
1929	2.04	1934	2.48	1939	1.69	1944	1.36	1949	3.61	1953	4.11
1930	2.69	1935	1.95	1940	1.67	1945	1.40	1950	4.27	1954	4.17
1931	2.52	1936	1.82	1941	1.53	1946	1.76				



*Stockholders' Equity—Fiscal Years*

1927	\$8,723,782	1932	\$22,793,743	1937	\$26,369,140	1942	\$25,625,755	1947	\$29,971,948	1951	\$48,488,976
1928	8,965,710	1933	24,644,049	1938	23,746,089	1943	26,044,414	1948	35,925,903	1952	46,340,758
1929	11,724,410	1934	26,190,916	1939	24,216,168	1944	26,233,098	1949	41,086,450	1953	48,543,374
1930	18,347,148	1935	24,820,470	1940	24,874,883	1945	26,481,282	1950	45,219,438	1954	51,690,443
1931	20,349,333	1936	25,761,849	1941	25,293,286	1946	27,070,417				

FIRST NATIONAL STORES INC.

BALANCE SHEET

ASSETS

	March 27, 1954	March 28, 1953
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$14,350,818	\$14,221,621
Accounts receivable . . . . .	905,008	715,733
Inventories, at cost (on last-in, first-out basis) which is below market (Note 1)	23,687,338	23,549,779
Total current assets . . . . .	\$38,943,164	\$38,487,133
<b>CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME — NET</b>		
(Note 1) . . . . .	\$ 2,950,000	\$ 2,950,000
<b>INVESTMENTS AND ADVANCES, ETC.:</b>		
Wholly-owned subsidiary companies—at cost (represented by underlying net assets of \$979,137 in 1954 and \$945,510 in 1953) . . . . .	\$ 250,833	\$ 250,833
Miscellaneous . . . . .	42,827	29,276
	\$ 293,660	\$ 280,109
<b>DEFERRED CHARGES:</b>		
Prepaid insurance, deferred local taxes, supplies, etc. . . . .	\$ 2,140,994	\$ 2,158,913
<b>FIXED ASSETS (at cost, less retirements, etc.):</b>		
Land . . . . .	\$ 4,017,340	\$ 3,627,842
Buildings owned . . . . .	20,470,784	19,887,494
Store fixtures, leased property improvements, machinery and equipment . . . . .	29,056,576	25,372,301
Automotive equipment . . . . .	1,546,971	1,474,172
	\$55,091,671	\$50,361,809
<i>Less</i> —Accumulated depreciation . . . . .	21,381,897	18,483,842
Total fixed assets (net) . . . . .	\$33,709,774	\$31,877,967
<b>GOODWILL . . . . .</b>		
	\$ 1	\$ 1
	\$78,037,593	\$75,754,123



FIRST NATIONAL STORES INC.

BALANCE SHEET

LIABILITIES

	March 27, 1954	March 28, 1953
<b>CURRENT LIABILITIES:</b>		
Notes payable to banks . . . . .	\$ —	\$ 2,000,000
Accounts payable, etc. . . . .	10,444,226	10,780,045
Owing to subsidiary companies (net) . . . . .	150,371	202,129
Accrued local and state taxes and other expenses . . . . .	4,755,725	4,641,179
Federal taxes on income . . . . .	9,943,894	8,473,316
Total current liabilities . . . . .	<u>\$25,294,216</u>	<u>\$26,096,669</u>
<b>RESERVES:</b>		
For past service premiums under retirement annuity plan . . . . .	\$ 931,603	\$ 1,017,855
Miscellaneous operating reserves . . . . .	121,331	96,225
	<u>\$ 1,052,934</u>	<u>\$ 1,114,080</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock:		
Authorized—2,000,000 shares without par value		
Issued—1,655,268 shares . . . . .	\$ 6,977,422	\$ 6,977,422
Earnings employed in the business:		
Appropriated for contingencies, etc. . . . .	\$ 744,258	\$ 744,258
Unappropriated, per accompanying statement . . . . .	44,209,906	41,062,837
	<u>\$44,954,164</u>	<u>\$41,807,095</u>
Together . . . . .	\$51,931,586	\$48,784,517
Deduct—Common stock held in treasury—18,114 shares, at reduced amount carried on books . . . . .		
	241,143	241,143
Total stockholders' equity . . . . .	<u>\$51,690,443</u>	<u>\$48,543,374</u>
	<u>\$78,037,593</u>	<u>\$75,754,123</u>

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

In our opinion, the accompanying balance sheet and the related statements of earnings and unappropriated earnings employed in the business fairly present the financial position of First National Stores Inc. at March 27, 1954, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Boston, Massachusetts  
May 20, 1954

# FIRST NATIONAL STORES INC.

## STATEMENT OF EARNINGS

	<i>Fiscal year ending</i>	
	<u>March 27, 1954</u>	<u>March 28, 1953</u>
Sales and revenues:		
Retail store sales . . . . .	\$442,180,165	\$424,521,672
Interest and dividends received:		
From subsidiaries (Note 2) . . . . .	44,500	45,000
From others . . . . .	851	1,126
	<u>\$442,225,516</u>	<u>\$424,567,798</u>
Costs and expenses:		
Cost of sales, expenses, etc. (exclusive of depreciation) . . . . .	\$421,383,079	\$405,532,150
Provision for depreciation of fixed assets (including accelerated depreciation of \$953,880 in 1954 and \$818,059 in 1953) . . . . .	4,733,651	4,333,795
Interest expense . . . . .	84,875	98,689
Net loss on disposal of fixed assets . . . . .	23,282	31,113
Provision for federal taxes on income (including excess profits tax of \$650,000 in 1954 and \$350,000 in 1953) . . . . .	9,170,000	7,830,000
	<u>\$435,394,887</u>	<u>\$417,825,747</u>
Net earnings for the year . . . . .	<u>\$ 6,830,629</u>	<u>\$ 6,742,051</u>

### STATEMENT OF UNAPPROPRIATED EARNINGS EMPLOYED IN THE BUSINESS FOR THE FISCAL YEAR ENDING MARCH 27, 1954

Balance, March 28, 1953 . . . . .	\$41,062,837
Add—Net earnings for the fiscal year ending March 27, 1954—per accompanying statement . . . . .	6,830,629
	<u>\$47,893,466</u>
Deduct—Cash dividends paid—\$2.25 per share . . . . .	3,683,560
Balance, March 27, 1954 . . . . .	<u>\$44,209,906</u>

#### NOTES TO FINANCIAL STATEMENTS

NOTE 1: The use of the last-in, first-out method and the application of the involuntary liquidation and replacement provisions of the tax law, for each fiscal year since 1941, are subject to review and acceptance by the Internal Revenue Service.

Because of the uncertainties involved, no upward adjustment has been made in the amount of the claims of \$2,950,000 previously set up for refunds of prior years' federal income taxes. It is estimated that the refunds of prior years' federal taxes may amount to approximately \$6,000,000 including \$1,900,000 in respect of the excess cost of replacement of inventories involuntarily liquidated.

NOTE 2: The net earnings of the subsidiary companies (all wholly owned and not consolidated) aggregated \$78,128 during the fiscal year ended March 27, 1954 and \$83,775 during the previous year.

NOTE 3: At March 27, 1954 the company was obligated under 218 leases expiring after March 27, 1957. The aggregate of the minimum annual rentals under these leases is \$1,846,399 and the aggregate amount charged against operations for the fiscal year ending March 27, 1954 under all leases was \$3,076,312.

THE UNIVERSITY OF CHICAGO

PHILOSOPHY DEPARTMENT

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